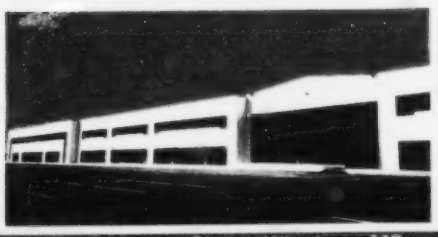
2002
2003
ANNUAL REPORT

MDA
materials
distribution agency



7-1715 St. James Street Winnipeg, MB
A Special Operating Agency of
the Manitoba Government

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Minister's Letter of Transmittal

MINISTER OF TRANSPORTATION
AND GOVERNMENT SERVICES

July 14, 2003

The Honourable Peter M. Liba
Lieutenant Governor of Manitoba
235 Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

I have the privilege of presenting the Annual Report of Materials Distribution Agency (MDA) for the year ending March 31, 2003.

This report marks the completion of MDA's tenth year as a Special Operating Agency (SOA) and its 29th year of providing the Province and the broader public sector with high quality, cost-effective centralized materials management services.

During 2002/03, MDA has entered a period of renewal and change with restructuring its staff organization, improving its turnaround time and moving to a new facility. MDA is an innovative constantly improving organization and is a vibrant and critical link in the Government's supply chain.

Respectfully submitted,

Scott Smith
Minister Responsible for
Materials Distribution Agency

104-00226/

Deputy Minister's Letter of Transmittal

Manitoba

Deputy Minister of
Government Services
& Emergency Measures

332 Legislative Building
Winnipeg MB R3C 0V8

Telephone: (204) 945-4414
Facsimile: (204) 945-1857

July 14, 2003

Honourable Scott Smith
Minister Responsible for the
Materials Distribution Agency
Transportation and Government Services
Room 203 Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Minister:

I am pleased to submit the tenth Annual Report of Materials Distribution Agency (MDA) for the year ending March 31, 2003.

In 2002/03, MDA successfully integrated the warehousing and shipping of the Manitoba Textbook Bureau into its operations. Textbook orders are sent from the Souris office via the Government's network and printed at MDA's warehouse within seconds. This has greatly reduced paperwork and increased order turnaround time.

Over the past year, MDA has also assumed responsibility for tendering, purchasing and distribution of supplies and equipment for Children and Adults with Special Needs. MDA has partnered with school divisions, Child and Family Services, Employment and Income Assistance to reduce the administrative burden of Agencies and provide cost-effective services. I am very pleased that MDA is playing a role in this multi-partner success.

I commend the commitment and hard work of the staff and managers of MDA who constantly work to improve the organization of which the government can be very proud.

Respectfully submitted,

Gerry Berezuk
Deputy Minister and
Chairperson of MDA Advisory Board

Chief Operating Officer's Report

As noted in MDA's 2001/02 Annual Report, MDA had to change to meet client expectations and 2002/03 was an incredible year of change!

The results of last year's employee satisfaction survey and individual interviews led MDA to make changes in our staffing structure. In the first phase of our organization re-design staff, in many areas, saw their reporting structure and duties change drastically. The change created clearer focus on client service and will maximize core competencies. In the upcoming year, with Human Resources staff, MDA will develop standard operating procedure manuals, performance evaluation tools and learning paths for our staff completing the second stage to developing confident, well-trained and satisfied staff.

Last year, our lease expired and MDA asked an important question: "do our facilities and processes enable us to meet client expectations?" We found they did not. MDA was pleased to sign a lease for a new space, at 1715 St. James Street, which will give MDA 76,000 square feet of space under one roof! We are also introducing changes in our processes and practices to streamline our work.

We know clients have identified turnaround time as the key standard for MDA. Since introducing operational changes last year, MDA consistently meets the Health Authorities' delivery time expectations for orders. Stationery and janitorial order turnaround time is improving and MDA must work to meet the next day delivery expectations of our clients.

We also are very proud to help government agencies when they call upon us. We are working with such valued clients as the Manitoba Textbook Bureau, Employment and Income Assistance, Child Special Services and the Department of Health to deliver goods and products in a way that saves those agencies money and administrative time.

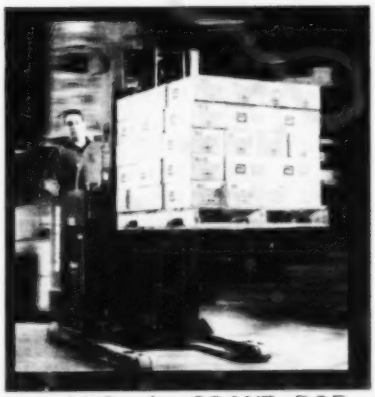
In the 2002/03 Business Plan, MDA identified three goals – employee satisfaction, sustained and improved customer service and business growth. We are taking big steps to meet our goals. Our challenges in 2003/04 are great. We have to fulfil our mandate to enable staff to do their jobs better and to ensure Respectful Workplace is a habit. We need to improve our processes to ensure consistent and cost effective service. We need to grow our business and help government contain costs.

No progress is possible without the dedication, hard work and ideas of everyone. MDA staff are listed on the following page – as a thank you to everyone who makes MDA a better place every year.

Sincerely,

Susan Boulter
A/Chief Operating Officer

AGENCY STAFF



❖ ALMENDRAL, AILYN ❖ BELL, WAYNE ❖ BELZA, LISA ❖ BISHOP, DAVE ❖ BODNAREK, VALERIE ❖ BOEHM, TAMARA ❖ BOULTER, SUSAN ❖ BOYD, RHONDA. ❖ BRUCE, BRUCE ❖ BURDENY, KATHLEEN ❖ BRETZ, NEIL ❖ BRYK, BOB ❖ BUORS, PAUL ❖ CAMERON, VERALYNNE ❖ CORLETT, ED ❖ DELORME, GEORGE ❖ DEMCHUK, KATHY ❖ DUECK, DOUG ❖ EISNER, TODD ❖ ELLIS, JEAN ❖ FLEURY, BECKI ❖ GENAILLE, WILF ❖ GILARSKI, GAIL ❖ DUCHARME, RICK ❖ DUECK, SCOTT ❖ GORDON, DOUG ❖ GRANT, ROB ❖ HERSHFIELD, JOEL ❖ HORROCK, PETER ❖ JOHNSTONE, JUDY ❖ JUBINVILLE, ROGER ❖ KILLBERY, BARRY ❖ KIRKPATRICK, SANDRA ❖ KOMONKO, DARRIN ❖ KOSHELUK, PAULETTE ❖ KOSHELUK, GARRY ❖ LAMBLIN, ART ❖ LaROCQUE, ROGER ❖ MacLEAN, MONIQUE ❖ MELNYCHUK, IHOR ❖ MISURAK, MIKE ❖ MULCHAN, VIDIKA ❖ MULVENA, CINDY NICHOLLS, ROBERT ❖ NORRINGTON, TED ❖ OSTAPCZUK, HENRY ❖ PEPPIN, DAVE ❖ PIDWINSKI, ED ❖ POMFRET, LEE ❖ POOLES, JANICE ❖ RACCIO, PARRY ❖ RAMAN-NAIR, RYAN ❖ RENNICKS, JOANNA ❖ ROBERTS, PETER ❖ SAVOIE, CHRIS ❖ SAVOIE, TRACY ❖ SERAFIN, BRAD ❖ SPENCE, MURRAY ❖ STARR, STEPHANIE ❖ STEVENS, VICKI ❖ ST. HILAIRE, BYRON ❖ THAGARD, DAN ❖ VIVEIROS, MARGAREDA ❖ WAT, CALVIN ❖ WILLMAN, LOUIE ❖ WOWRYK, ROSE ❖

BACKGROUND

Materials Distribution was created in 1974, to provide the government with centralized materials management for government departments, boards, commissions and agencies. By utilizing economies of scale, the organization was established to provide lower overall costs in materials management. The Agency's mandate is to cost-effectively meet the supply requirements of this wide spectrum of organizations within the broader public service.

In 1993, the Materials Distribution Agency (MDA) was established as a Special Operating Agency (SOA) under the *Special Operating Agencies Financing Authority Act*. In Manitoba, an SOA is an operational organization within a government department. The Charter and the Schedule of Delegated Authorities defines the Agency's accountability relationships. These framework documents lay out target commitments for service levels and financial performance.

The SOA concept reflects government's desire to support improved service to clients; increased latitude for innovation; empowerment of staff; better management of people; and clearly defined accountability for results. MDA has more direct responsibility for results and additional flexibility regarding staffing, capital investments, rate setting, financial systems and accounting procedures.

Every year, MDA must prepare a business plan that provides a blueprint for the activities, revenues and expenditures for the upcoming year. Once approved, the Agency is required to provide quarterly and yearly reports on progress against those goals.

AGENCY STRUCTURE

The Chief Operating Officer manages the day-to-day operations and reports to the Assistant Deputy Minister, Supply and Services Division of Government Services. The Chief Operating Officer provides plans and reports to the Agency's Advisory Board for review, to the Minister of Transportation and Government Services and Treasury Board for final approval.

The members of the current Advisory Board are:

CHAIR

Gerry Berezuk
Deputy Minister
Government Services and Emergency Measures

MEMBERS

Private Sector Representatives

Norm Fiske
Retired Partner
Sill & Company,

Raymond West
Retired Chairman of the Board
A. E. McKenzie Co. Ltd.

Client Representatives

John Hosang
Assistant Deputy Minister
Manitoba Transportation and Government Services

Al Macatavish
Retired Vice President
Manitoba Hydro

Ex Officio

Tracey Danowski
A/Assistant Deputy Minister
Government Services

Susan Boulter
A/Chief Operating Officer
Materials Distribution Agency

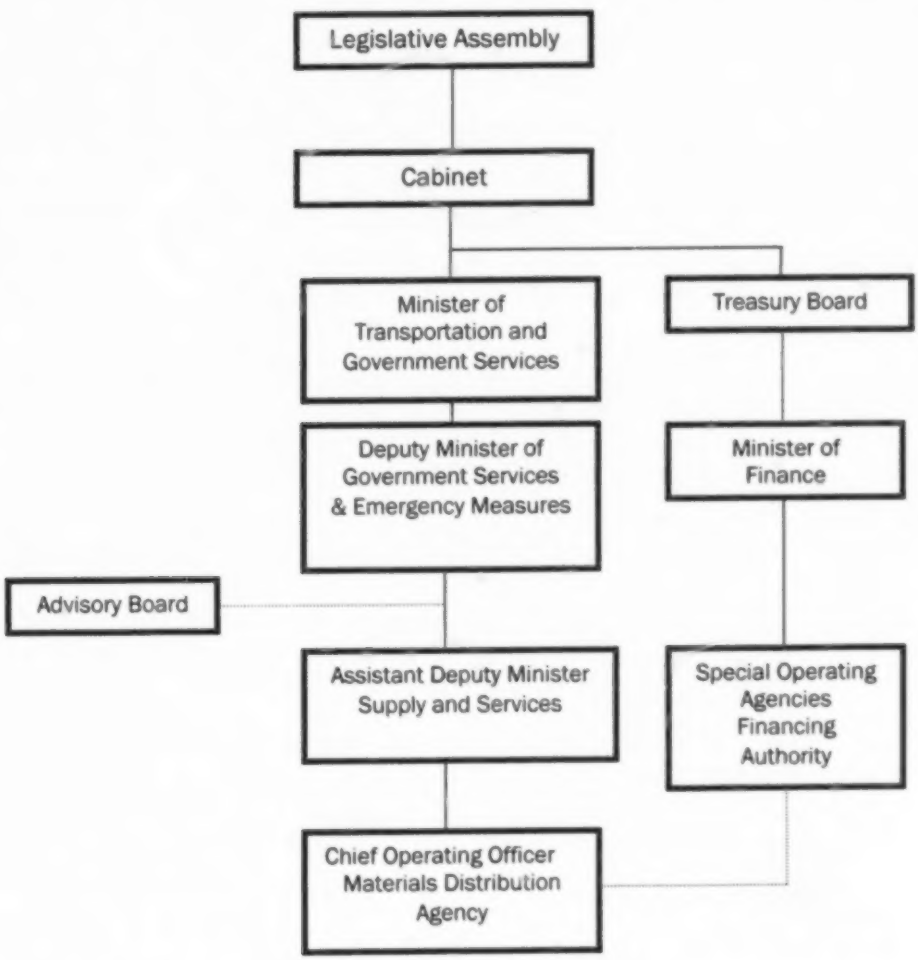
Staff Representative

Dan Thagard
Storekeeper
Materials Distribution Agency

The primary role of the Board is to:

- Offer advice on the Agency's strategic direction and objectives, performance, business practices, marketing strategies, management and financial reporting requirements;
- Review the Agency's quarterly financial reports, Annual Business Plan, Annual Report and any proposed changes to the Agency Charter; and
- Offer support regarding private, public and client sector issues and initiatives.

The following chart shows how MDA fits into the government structure:


Legislative Assembly
Cabinet
Minister of Transportation and Government Services
Treasury Board
Deputy Minister of Government Services & Emergency Measures
Minister of Finance
Advisory Board
Assistant Deputy Minister Supply and Services
Special Operating Agencies Financing Authority
Chief Operating Officer Materials Distribution Agency

MDA MISSION STATEMENT

We are a dynamic logistics organization committed to providing valued products and innovative services within the public sector.

FOUNDING PRINCIPLES

- Excellence in Customer Service;
- Commitment to Team work;
- Dedication to Continuous Improvement; and
- Flexibility to meet Customer Needs.

OPERATING VALUES

MDA supports its mission statement with the following operating values that are the cornerstones of the operation:

To provide Customers with:

- Products and services at the lowest possible cost to meet their needs;
- Value-added supply, transportation, storage and disposal services tailored to suit their specific requirements; and
- Lasting and mutually satisfying business relationships.

To work with Suppliers and:

- Develop enhanced relationships with suppliers by ensuring the widest possible access to market their products.

To support Sustainable Development and Environment Initiatives by:

- Continuing as a good corporate citizen by complying with all laws and regulations, participating in co-operative initiatives in the best interest of our customers and promoting measures to eliminate or minimize risks to the environment;
- Evaluating and offering environmentally responsible products to our clients and actively promoting those products through a sustained and dynamic communication strategy;
- Promoting the Government of Manitoba's sustainable development's policy through "green purchasing;" and
- Identifying and using "green" products in day-to-day operations.

To create a positive and vibrant environment for MDA's Workforce where:

- Employees continually strive for excellence and are recognized for this effort;
- Management recognizes the importance of its workforce and provides a respectful and safe work environment for all employees with clear objectives, challenging performance goals and direction;
- Recognition programs are developed to encourage, support and acknowledge significant individual and team efforts of employee accomplishments;
- Input vehicles are created to encourage and integrate innovative ideas and individual creative thought; and
- MDA continually invests in employees, providing opportunities for increased training, development and to continually challenge staff to greater levels of accomplishment.

PRODUCTS

MDA purchases and sells a variety of stocked items and these distinct product lines and services are listed below:

Commodities	Line Items
Stationery and Office Supplies	1,222
Janitorial Supplies	340
Laboratory, X-ray, Ultrasound & ECG Supplies	331
Home Care Medical Supplies	625
Reproductive Health Supplies	157
Office Furnishings and Furniture	318
Computer Software	1,070
New Business Products (MB Health Brochures and CSS)	296
Total Line Items	4,359

SERVICES

Equipment Rental, Service and Repair

The Agency owns over 21,500 individual pieces of 62 different types of home care equipment that are leased and distributed to over 30,000 clients across the Province. MDA staff also services and repairs 1,593 individual pieces of office equipment to over 371 government clients.

Transportation, Moving and Office Relocation Services

The Agency's Transportation Coordinator, in conjunction with Accommodation Development Division and the Workshop Renovations Branch provide the government with moving services and arranges the relocation of government offices across the Province.

Storage and Distribution Services

MDA offers warehouse storage for clients who require a secure storage facility for items not required on a daily basis. In addition, MDA provides complete warehouse and distribution services for clients who require inventory management, equipment tracking and distribution of supplies to various clients across the Province.

Disposal Services

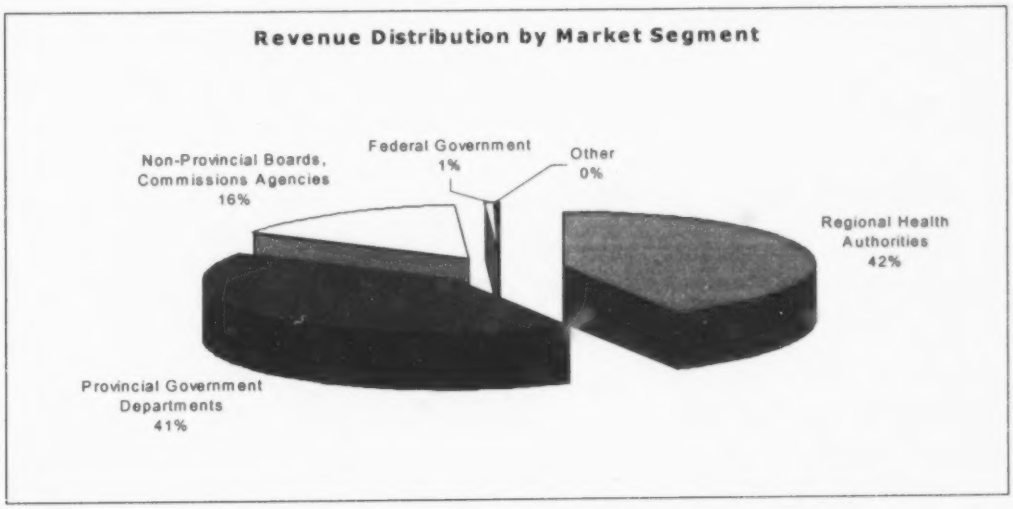
The Agency provides disposal services for material and equipment that are no longer required by the Province. Usable materials are redistributed to other government departments while items with no further use are sold by tender, auction or are sent to a recycling company.

Software License Audits / Storage

For the past two years MDA has played an administration role for the Microsoft Select and Enterprise Agreements for the Manitoba Government. MDA works in conjunction with Manitoba Energy Science and Technology to provide administration, auditing and ordering services for over 20,000 end-users across the public sector.

Market Segment Information

Revenue Distribution by Market Segment – Total Revenue 2002/03 $21,071



Warehoused Products – Distribution Information

Total Orders 2002/03

	2001/02	2002/03	% Change
Number of Orders	78,754	82,311	5%
Number of MTBB Orders	n/a	28,113	n/a

Location Distribution - Warehoused Products 2002/03

Location	No. of Orders	Revenue
Winnipeg	71.3%	72.5%
Rural	28.7%	27.5%

Delivery Distribution – Winnipeg Medical Orders

Routine	63%
Same day	14%
Pickup	23%

2002/03 PROJECTS AND ACTIVITY STATUS

In its 2002/03 Business Plan approved by Treasury Board, MDA identified five critical success factors. The following is a reiteration of the success factors; specific goals set for 2002/03 and the activities undertaken to achieve those goals:

Critical Success Factor #1 Human Resources

To clarify job responsibilities and expectations and establish an internal communication strategy that provides staff with relevant and timely information.

Human Resource Goals

- Undertake an organization review to identify staff resource needs and clarify job responsibilities, expectations and succession planning, and implement changes by March 31, 2003.
- Carry out gap analysis, promotion opportunities, and future training requirements based on core competencies by March 31, 2003.
- Assess term/regular conversion needs.
- Use 3.5 allocated FTEs for Manitoba Textbook Bureau activities.

2002/03 Human Resource Activities

Organization Review. To operate effectively in a business-like manner, MDA must continue to be responsive to client needs and increasing expectations. During the previous fiscal year, MDA commissioned *Service Manitoba* to conduct an employee communication survey. The intent was to determine the health of the organization, including the feelings of the employees toward management and the level of communication and openness within the organization and the co-operation between different sections of MDA. The results of the staff survey indicated MDA employees wanted to be more proficient in their jobs. It also appeared there were excessive layers of supervision in some areas, leading to confusion and conflicting directions. The combination of these two driving forces resulted in the decision to commission an organizational review.

The Agency completed its review during the 2002/03 fiscal year and started phase one of implementation in January, 2003. Staff is now structured along core competencies and operational functions. MDA has simplified the organization and created a horizontal structure with fewer layers of supervisors. The activities of the organization re-design continue into the 2003/04 fiscal year.

FTE Evaluation. The Agency also evaluated the workloads of staff for the upcoming year and included that evaluation in the 2003/04 Business Plan. The Agency asked for and received four new FTEs and the ability to convert up to five positions from term to regular status.

Job Description Updates. The Agency underwent a move during the 2002/03 fiscal year, which has delayed the process of updating job descriptions. This process is slated for completion in the 2003/04 fiscal year.

Learning Path Development. The Manager of Finance and Technology headed a staff team to develop a Learning Path Plan that will be incorporated into the Core Competency process.

Rewards & Recognition Program and Development of Procedure Manuals. These initiatives are being carried over to the 2003/04 fiscal year.

Policy Manual. MDA has implemented a policy manual that is available to management and staff both on the network and in hard copy. This policy binder is updated as policies change and is a necessary resource for the Agency.

Communication Vehicles. Ongoing feedback from employees is becoming a regular part of the operations. During 2002/03 MDA directed Human Resources to present a series *of Respectful Workplace* seminars to MDA management and staff in support of goals and the organization re-design. MDA's COO sends out a report to staff regarding new projects, the status of organizational initiatives and to recognize individual people. Staff are also invited to sit on committees and many staff were consulted on the logo, colour selection and layout of the offices and the warehouse. MDA continues to improve its communication with staff.

Management Commitment Statement. MDA management also developed and posted, throughout the organization, *a Management Commitment Statement* outlining the values they hold important for dealings with staff.

The management team developed three main goals that are presented in the 2003/04 Business Plan. The organization, in its vision, has taken a giant leap in putting staff and clients first utilizing the philosophy that creating a positive work environment will filter into client servicing and organizational growth.

Critical Success Factor #2 Marketing

To maintain and increase our client base and service offerings through integrated marketing strategies and the promotion of sustainable development initiatives.

Marketing Goals

Existing Markets

- Offer new products and services to existing markets through improved direct marketing, increased customer contact and promotion of sustainable development.

New Markets

- Identify new customers to grow service and product offerings geared at meeting the changing demands of the marketplace.
- Monitor and report the impact of departmental clients on revenue and take action with respect to proposing adjustments to our billing rates in response to market forces given the need to provide a competitive service.

2002/03 Marketing Activities

Pricing and Discount Policies. MDA continues to use the existing pricing and discount strategies. This analysis has been deferred to 2003/04. MDA continues to provide a rebate to the Regional Health Authorities of Manitoba.

Semi-Annual Competitive Price Checks. MDA continues to check prices against competitors when introducing new products and as part of catalogue production.

Internal Audit Review. As directed by Treasury Board, MDA engaged Internal Audit to review the current purchasing practices of departments to determine whether the cost of purchasing materials from suppliers other than MDA is as cost effective as purchasing from the Agency. The draft indicates purchasing from MDA is the most cost-effective method for departments.

Improved Product Selection & Establishment of the Product Review Committee. MDA has introduced over 150 new products in the past fiscal year as a result of client requests and consultation. As well, MDA introduced a Product Review Committee with representatives from several departments across government. While still in the infancy stage, this committee meets quarterly.

Green Strategy. With Procurement Services Branch, MDA is working to have more green products in the MDA catalogue. We invite government staff to forward information or suggestions about Green products so we can work together to help the Government of Manitoba achieve its sustainable development goals. MDA also offers departments a report on the "green" products purchased from MDA.

In 2002/03, the government introduced compulsory purchasing of recycled paper. Government departments were also directed to purchase recycled toner cartridges for the top four printers. This again is a significant commitment to recycling, and MDA is proud to be part of the supply chain that is environmentally sensitive.

Monthly Flyer Improvements. MDA continues to include new products in its monthly flyer. The distribution and quality of the flyer has been significantly improved through the use of new technology through the managed environment.

Database Management. This project has been deferred until next year.

On-line Ordering with the Winnipeg Regional Health Authority (WRHA). MDA began working with the WRHA to update the Home Care catalogue. Digital images and product description update for over 120 products are in progress.

Customer Service Standards. With the organizational re-design this initiative has been referred to the Manager of Client Services.

Service Growth and Product Offerings - Integrated Purchasing. Materials Distribution Agency (MDA) is working with Children's' Special Services (CSS), Employment and Income Assistance, Family Services and School Divisions as part of an initiative to improve the lifestyles of Manitoba Children with special needs. The goals of this project are to provide a significant cost saving to the Government of Manitoba and relieve caseworkers and families of administrative and procurement activities.

As well, effective April 1, 2002, MDA implemented a streamlined process for ordering medical supplies for this program. Previously, caregivers and individuals with special needs were required to obtain three quotes for medical supplies and submit them to their caseworkers for approval. Approved goods were then purchased at full retail cost. The process was costly and time consuming for both caseworkers and caregivers. Caregivers now send their specifications to MDA, and MDA solicits three quotes from the suppliers, or draws on existing valid quotes. If the caseworker authorizes the purchase, MDA ensures the goods are ordered, and forwarded to the individual with special needs. This allows caseworkers more time for clients.

Other Services Provided to Children Special Services (CSS) and Employment and Income Assistance (EIA) include:
MDA provides three quotes to caseworkers for special orders not available through the Medical Supply Catalogue, relieving caseworkers of this administrative burden. In addition, MDA is picking up used equipment owned by CSS & EIA, cleaning it, making any necessary repairs and making the equipment available to other clients within the program.

Publication Management for Department of Health
In 2002/03, MDA assumed the inventory and distribution of publications for the Department of Health. MDA stores letters, forms, brochures, and booklets and picks, packs and mails them upon direction of our clients. Our clients appear very pleased with response time, costs, and inventory control.

New Image. MDA commissioned the design of a new logo, which will brand the new site building and all paper and promotional goods.

New Catalogue. MDA's stationery, janitorial and furniture catalogue was completely overhauled in 2002/03 and reflects a professional style. MDA staff provided the digital photographs and all the content while the designer designed the new look and feel of the catalogue. The catalogue was well received and efforts are on-going to implement new technology.

Customer Contact. In September 2002, MDA Marketing Branch co-hosted *Dispelling Myths*, a one-day workshop that addressed government client myths about Government Services' SOAs. MDA addressed software confusion, uncertainties about furniture and sustainable development. Clients were very pleased and indicated that future workshops would be appreciated.

Critical Success Factor #3: Logistics

To enhance our systems of purchasing, contract management, warehousing and distribution of materials.

Logistics Goals

- To streamline warehouse operations, increase efficiencies, empower and coordinate staff to meet the anticipated demands of new and existing customers.
- Provide warehousing and distribution services to the Manitoba Textbook Bureau beginning April 1, 2002.
- Reduce the number of back orders to MDA clients and additional handling and freight costs to MDA.

2002/03 Logistics Activities

New Facilities. MDA planned and began its move to its new site at 1715 St. James Street to consolidate its operations in one, new 76, 000 square foot building. The planning and initial moving that took place in 2002/03 had no impact on client deliveries.

New business processes. As part of this planning process, MDA engaged a logistics planner to consult with staff and management to create a layout that streamlined picking paths and increased efficiencies. New pick pack tracking processing were implemented, with daily goals and in the 2002/03 fiscal year MDA achieved the goals of picking, packing and shipping 95% of MDA Health orders for Winnipeg within 2 days. As well, the new site will allow the Agency to use industry practices to better manage and warehouse its inventory.

At the new site, MDA will incur significant increases in lease costs, which will be recovered through increased business and cost reductions due to operating efficiencies over the next two years. To achieve this goal, MDA hired a new Manager of Logistics in March 2003, with the mandate to increase efficiencies and coordinate staff workloads effectively.

Manitoba Textbook Bureau (MTBB). MDA and MTBB began their partnership April 1, 2002. Seventeen trailer loads of textbook and related materials were delivered to MDA's previous location.

In March 2003, MDA and MTBB moved the goods to the new site at 1715 St James Street. Here, MDA integrated its operations to maximize efficiencies. In addition to timely order fulfillment, inventory and distribution services, MDA has provided MTBB with a presence in Winnipeg, and a re-designed reception area to allow ease of order pick-up by educators.

Internal Logistics. MDA implemented new processes in shipping, returns handling, order tracking, fulfillment priorities and non-deliverable with the objectives of increasing efficiencies and customer service.

Inventory Control. MDA's efforts to reduce back orders are still underway. Maintaining a higher inventory level or using Just-in-Time purchasing practices reduces back orders. MDA was not able to increase inventory volumes due to space restrictions although MDA's Contracts Branch is planning to use this strategy in 2003/04. Just-in-Time purchasing efforts were used and the majority of back orders were a result of suppliers' inability to provide product on time.

The inventory turn rate was projected at 6.5 and the actual inventory turns for 2002/03 was 7.75. As well, average stocked response rate was 98.7%.

Critical Success Factor #4: Technology

To continually develop advanced computer information systems to meet the needs of MDA operations and our clients.

Technology Goals

- To provide improved computer and network support to MDA staff in day to day operations.
- To carry out a system needs review and implement a technology system with an e-commerce solution to meet market demands and increase operational productivity.

2002/03 Technology Activities

Mission Critical Application Requirements. MDA's current system runs less than optimally and is unable to accommodate current or future needs. It is critical that MDA design and implement a stable, flexible system and plans are currently underway to achieve this goal.

Interim E-Sales System – Medical Products. MDA, with EIA, has developed an on-line computer form that allows caseworkers, in consultation with their client, to place orders for delivery direct to the client. This computer program is user friendly as it instantly recalls stored data on clients, further streamlining the ordering process. This program offers an on-line catalogue with detailed product description, eliminating the need for paper catalogues for each individual caseworker. MDA provides the caseworkers with a training session and user manual.

MDA purchases approximately 40-50 different product lines such as canes, crutches, stockings and mattress covers for EIA clients. EIA has also provided MDA with a list of medical equipment that they are interested in leasing. The concept is to take advantage of volume purchasing and make equipment available to other programs when it is no longer required. MDA has established a Product Review Committee with Occupational Therapists and Physiotherapists to ensure that the most appropriate equipment is selected to meet client needs.

SAP and Dynamics Integration. Working with Enterprise System Management (ESM), MDA streamlined the process to enter orders from SAP into Dynamics. The previous process was to receive a fax order generated by SAP and then re-enter the data into Dynamics. The system has been streamlined and the data is now received electronically eliminating the requirement to re-enter the data. This new process, eliminates duplicate data entry and supports sustainable development initiatives.

Critical Success Factor #5: Finance

To improve the financial framework for MDA that reflects efficient and effective business and administrative practices that will minimize product and service costs to our clients.

Financial Goals

To establish a set of generally accepted ratios that will easily determine the financial stability and future financial goals of the Agency that are congruent with the Agency's mandate.

2002/03 Financial Activities

Vendor Payment Terms and Discounts. MDA continuously reviews its vendor terms when developing/revising new tenders.

Operating Charter. The Agency has revised its Operating Charter and has submitted a draft of the revised Charter to the SOA coordinator for review.

Moving Services . MDA has developed more financial controls to record move estimates and track costs against the estimate to ensure the program is adequately covering costs. MDA is also tracking change management for projects to ensure clients are billed for costs incurred outside original move specifications.

Financial Overview

Review of Operations

MDA has seen the volume and breadth of products grow in all fields. Current clients are ordering more of stock products commonly stocked, while also demanding that MDA expand its lines of goods. As government agencies are asked to contain their spending, they look to MDA to assume warehousing and distributing at a lower cost. In 2002/03, MDA undertook significant planning activities for its move to a new site which will consolidate its operations under one roof. This undertaking is creating an exciting environment in which to work as well as presenting several new challenges for upcoming years.

The following financial review and analysis compare the actual results for the year ended March 31, 2003 to the projections for the same period and to the actual results for the year ended March 31, 2002.

MDA reported net income of $410,000 for the year ended March 31, 2003 compared to a projected $622,000 for 2003 and actual of $504,000 for the year ended March 31, 2002.

	2003 Actual	2003 Projected	2003 Actual vs. 2003 Projected Increase (Decrease)	2002 Actual	2003 Actual vs. 2002 Actual Increase (Decrease)
Sales	$21,071	$15,401	$5,670	$18,771	$ 2,300
Cost of goods sold	16,931	11,317	5,614	14,878	2,053
Gross profit	4,140	4,084	56	3,893	247
Expenses					
Salaries & benefits	2,640	2,411	229	2,399	241
Operating costs	375	304	71	323	52
Administrative	715	747	(32)	667	48
Total Expenses	3,730	3,462	268	3,389	341
Net income	$410	$622	$(212)	$504	$(94)

Sales compared to projected sales show a favourable variance of $5,670. The majority of the increase is attributable to restating software in the 02/03 Business Plan to include gross software sales compared to showing only the rebate. This accounted for $4,528. The other major increase came from an increase in direct new furniture sales of $808.

Financial Position

The Agency did not have to use its working capital payable line of credit at any time during 2002/03. The Agency has no working capital payable outstanding.

Remaining cash generated by operations was used to purchase capital and other assets and to pay revenue sharing amounts to the Consolidated Fund ($400).

Ratio Analysis

Ratio analyses comparing actual to projected calculated amounts are provided in the table below.

The overall gross profit percentage has remained relatively constant in all three years.

Ratio	Actual 2003	Actual 2002	Actual 2001
Return on total revenue	1.95%	2.68%	5.01%
Return on average assets	5.4%	6.29%	11.42%
Gross profit percentage	19.65%	20.74%	21.79%
Debt to equity	.50 to 1	.42 to 1	.70 to 1
Current ratio	2.50 to 1	2.69 to 1	2.21 to 1
Days Sales in receivables	49 days	48 days	72 days
Inventory turnover on warehoused items in FY	7.75 times	5.94 times	5.4 times

Performance Measures

Actual	2002/03	2001/02	2000/01	1999/00
Turn Around Time				
Health Orders – Urban	2	4	4	5
Health Orders– Rural	3	2	2	3
Other goods – Urban	3	4	4	5
Other goods – Rural	5	2	2	3
MTBB	3	n/a	n/a	n/a
No. Sales Invoices	90,918	90,039	81,903	82,650
No. Inventory Items	4,359	2,876	3,621	4.150
Stocked Response Rate	98.7%	98.8%	98.7%	98.5%

Materials Distribution Agency
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Responsibility of Financial Reporting

The Agency's management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes the integrity and objectivity of financial data and presentation of the Agency's financial position and results of operations in accordance with generally accepted accounting principles. The financial statements have been audited by The Exchange Group, independent external auditors.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that transactions are authorized, properly recorded and reported, and that assets are safeguarded.

An Advisory Board is available to meet, as required, with management to review accounting practices, financial reporting and to discuss audit results. During the past year, management met once with the Advisory Board. The auditors have free and full access to this Board, to discuss the results of their audit and their views on the adequacy of internal controls and the quality of financial reporting.

Susan Boulter
A/Chief Operating Officer
May 27, 2003

Joel Hershfield
Manager of Finance and Technology

EXG

THE EXCHANGE

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Materials Distribution Agency, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2003 and the statements of income and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2003 and the results of its operations and changes in cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

THE EXCHANGE

chartered accountants

Winnipeg, Manitoba
May 27, 2003

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

BALANCE SHEET
(In Thousands)
AS AT MARCH 31, 2003

ASSETS

	2003	2002
CURRENT		
Cash and short term investments	$ 1,455	$ 1,917
Accounts receivable	3,186	2,549
Inventories (notes 2 and 4)	1,609	1,333
Prepaid expenses	82	33
	6,332	5,832
RECEIVABLE - PROVINCE OF MANITOBA (note 3)	288	288
CAPITAL ASSETS (notes 2 and 5)	754	674
OTHER ASSETS (notes 2 and 6)	486	568
	$ 7,860	$ 7,362

LIABILITIES

CURRENT		
Payables and accruals (note 7)	$ 2,407	$ 1,931
SEVERANCE LIABILITY (note 10)	246	234
	2,653	2,165

EQUITY

CONTRIBUTED EQUITY (note 8)	1,246	1,246
RETAINED EARNINGS	3,961	3,951
	5,207	5,197
	$ 7,860	$ 7,362

Commitments (note 9)

See Accompanying Notes To Financial Statements

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF INCOME AND RETAINED EARNINGS
(In Thousands)
YEAR ENDED MARCH 31, 2003

	2003	2002
SALES, schedule 1	$21,071	$18,771
COST OF GOODS SOLD	16,931	14,878
GROSS PROFIT	4,140	3,893
EXPENSES		
Salaries and benefits	2,640	2,399
Operating costs	375	323
Administrative expenses, schedule 2	715	667
	3,730	3,389
NET INCOME	410	504
REVENUE SHARING – Province of Manitoba	(400)	(400)
RETAINED EARNINGS, beginning of year	3,951	3,847
RETAINED EARNINGS, end of year	$ 3,961	$ 3,951

See Accompanying Notes To Financial Statements

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF CASH FLOW
(In Thousands)
YEAR ENDED MARCH 31, 2003

Increase (decrease) in cash and cash equivalents	2003	2002
Operating		
Net earnings	$ 410	$ 504
Amortization	660	557
	1,070	1,061
Change in		
Accounts receivable	(637)	1,226
Inventories	(276)	205
Prepaids	(49)	(7)
Payables and accruals	476	(1,424)
Severance pay liability	12	16
	596	1,077
Investing		
Acquisition of Home Care equipment	(432)	(309)
Acquisition of capital assets	(105)	(100)
Acquisition of other assets	(121)	(138)
	(658)	(547)
Financing		
Revenue sharing to the Consolidated Fund	(400)	(400)
Increase (decrease) in cash and short term investments	(462)	130
Cash and short-term investments, beginning of year	1,917	1,787
Cash and short-term investments, end of year	$ 1,455	$ 1,917

See Accompanying Notes To Financial Statements

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2003

1. NATURE OF ORGANIZATION

The Government of Manitoba established a central warehouse operation in 1974. Its mandate was to cost effectively meet the needs of departments and certain boards, commissions and agencies of the Crown, for a variety of commonly used items.

Effective April 1, 1993, Materials Distribution Branch was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from the Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Government Services assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of the Financing Authority.

The Materials Distribution Agency continues to be part of Manitoba Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and Minister.

The Materials Distribution Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Materials Distribution Agency is economically dependent on the Province of Manitoba and the Manitoba Regional Health Authorities deriving most of its revenue and all of its capital financing requirements from the Province.

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2003

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Capital Assets

Capital assets are recorded at cost and are amortized annually at the following rates and bases:

Computer equipment	- 20%, straight-line basis
Fixtures	- 20%, straight-line basis
Office equipment	- 20%, diminishing balance basis
Rental equipment	- 20%, diminishing balance basis
Warehouse equipment	- 20%, diminishing balance basis
Leasehold improvements	- over 5 years, straight-line basis

Assets that relate to the transfer of the Home Care Equipment and Supplies Program are recorded at cost and are amortized at accelerated rates as follows:

Computer equipment, accelerated	- 33%, straight-line basis
Fixtures, accelerated	- 33%, straight-line basis
Office equipment, accelerated	- 33%, straight-line basis
Warehouse equipment, accelerated	- 33%, straight-line basis
Leasehold improvements, accelerated	- over 3 years, straight-line basis

Non-consumable equipment relating to the Home Care Equipment and Supplies Program are amortized at varying rates in order to reflect the varying periods of useable "life".

Rental equipment	- over 2, 3 or 5 years, straight-line basis

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2003

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Other Assets

Other assets are recorded at cost and are amortized at the following rate on a straight-line basis:

Computer conversion	- over 5 years
Computer conversion, accelerated	- over 3 years

3. RECEIVABLE – PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlement earned by the employees of Materials Distribution Agency prior to their designation as SOA's. It also includes severance pay benefits earned by SOA employees to March 31, 1998 as well as the benefits accumulated by the employees of the Manitoba Securities Commission prior to March 31, 1997.

The timing of the collection of these receivables will vary for each SOA. The receivable, or portion thereof, for an individual SOA will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of an SOA.

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2003

4. INVENTORIES

	2003	2002
Medical, Lab and X-ray supplies	$ 197	$ 174
Reproductive health supplies	25	47
Medical supplies	423	382
Ostomy supplies	247	145
Equipment consumables	88	24
	980	772
Golden Boy	60	0
Stationery	335	312
Forms	77	106
Janitorial	119	100
Furnishings	17	18
Software and computer supplies	0	2
New furniture	17	14
Office equipment consumables	4	9
	$ 1,609	$ 1,333

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	2003 Net	2002 Net
Computer equipment	$ 58	$ 31	$ 27	$ 22
Fixtures	40	40	0	0
Office equipment	32	31	1	7
Warehouse equipment	261	92	170	108
Leasehold improvements	166	158	8	39
	557	352	206	176
Accelerated				
Computer equipment	48	48	0	0
Fixtures	63	63	0	0
Office equipment	22	22	0	0
Warehouse equipment	61	61	0	0
Leasehold improvements	120	120	0	0
	314	314	0	0
Home Care equipment	2,219	1,671	548	498
	$ 3,090	$ 2,337	$ 754	$ 674

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2003

6. OTHER ASSETS

	Cost	Accumulated Amortization	2003 Net	2002 Net
Computer conversion	$ 1,117	$ 631	$ 486	$ 568

7. WORKING CAPITAL PAYABLE

The Agency has an authorized line of working capital advances of $800, none of which was used at March 31, 2003 or 2002.

8. CONTRIBUTED EQUITY

Loan Authority – April 1, 1993

The Special Operating Agencies Financing Authority (SOAFA) and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of inventory and fixed assets valued at $1,464 required for the continuing operations of the Materials Distribution Agency as at March 31, 1993. The Agency repaid the debt portion of $732 (being ½ of the value of the assets) and recorded the balance, $732, as Manitoba's equity in the Financing Authority as related to the Agency operations.

Loan Authority – April 1, 1997

SOAFA and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority for the net assets of the HCESP valued at $1,027 as at April 1, 1997. The Agency repaid the debt portion of $513 (being ½ of the value of the assets) and recorded the balance, $514, as Manitoba's equity in the Financing Authority as related to the Agency operations.

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2003

9. COMMITMENTS

Leased Premises

On March 24, 2003 The Agency took partial possession of a rental property consisting of 76,067 square feet at 1715 St. James Street, Winnipeg, Manitoba. The lease is for a term of 10 years with an additional 5-year option commencing May 1, 2003. Occupancy charges are an annual $453 payable in monthly instalments.

Revenue Sharing

The Agency's approved 2003/04 Business Plan calls for $400 in revenue sharing to be paid in quarterly instalments to the Consolidated Fund during 2003/04.

10. SEVERANCE LIABILITY

Effective April 1, 1998 the Agency commenced recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $254 has been completely offset by a receivable from the Province.

An actuarial valuation report of the Agency's severance as at March 31, 2000 was completed in February 2001. The liability as at March 31, 2001 was restated to $210 and the receivable from the Province was restated to $274 as a result of the actuarial valuation.

The receivable from the Province will only be collected, in whole or in part, in the event there is a cash short fall in the Agency. It is probable, therefore, that collection will only happen on the dissolution of the Agency.

The actuarial report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarial liability has been calculated to be $246 as at March 31, 2003.

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2003

11. PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation in an amount exceeding $50 annually to any officer or employee of the Agency. For the year ended March 31, 2003, the following employees received compensation in excess of $50.

Name	Position	2003	2002
Susan Boulter	A/Chief Operating Officer	$ 73	$ -
Joel Hershfield	Manager of Finance and Technology	59	-
Ted Norrington	A/Controller	-	54
Kathy Demchuk	Marketing Manager	56	52

12. INTEREST RECEIVED

The Agency received interest during the year of $45 (2002 - $63).

Schedule 1

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

SCHEDULE OF SALES
(In Thousands)
YEAR ENDED MARCH 31, 2003

	2003	2002
Warehoused Items		
Medical, Lab and X-ray	$ 1,560	$ 1,751
Medical forms	104	125
Reproductive	113	219
Medical supplies	3,807	3,731
Ostomy supplies	1,722	1,578
Equipment consumables	222	123
	7,528	7,527
Stationery	2,031	1,966
Forms	143	120
Janitorial	711	633
Furnishings	70	84
Office equipment consumables	63	102
Software and computer supplies	4,528	2,530
Special Project - Golden Boy	99	0
Miscellaneous	1	8
	15,174	12,970
Direct (factored sales)		
Stationery	759	687
Medical, Lab and X-ray	97	72
Janitorial	279	264
Furniture, new	970	1,422
	2,105	2,445
Other Revenue		
Manitoba Textbook Bureau	265	0
Home Care equipment rentals	1,635	1,603
Office equipment – copy centres	695	794
Office equipment – maintenance program	118	133
Used furniture	29	29
Disposal	8	22
Moving and freight	907	618
Storage	58	68
Other Income	75	86
Miscellaneous	2	3
	3,792	3,356
TOTAL REVENUE	$ 21,071	$ 18,771

Schedule 2

MATERIALS DISTRIBUTION AGENCY
(An Agency of the Special Operating Agencies Financing Authority - Province of Manitoba)

SCHEDULE OF ADMINISTRATIVE EXPENSES
(In Thousands)
YEAR ENDED MARCH 31, 2003

	2003	2002
ADMINISTRATIVE EXPENSES		
SOAFA fees	$ 2	$ 2
Professional services	13	10
Amortization	280	232
Bad debts	-	50
Computer	263	251
Office	61	50
Promotion and marketing	44	23
Telephone	46	43
Training and education	6	6
	$ 715	$ 667